

Tax Breaks for Commercial

Building Improvements

-City of Falls Church-

Commercial Property Rehabilitation Tax Abatement Program

How does the program work?

If you are the owner of a commercial building that is at least 20 years old, located in the City of Falls Church, and you are planning to make improvements to the building that will increase its value by at least 50%, you may qualify for an abatement of property taxes on the value of your investment.

Are there other eligibility requirements?

Improvements to commercial buildings must result in commercial uses of the space. In other words, a commercial building cannot be converted to residential uses and qualify for the program.

The value of a building *prior to improvements* (the “base” value) is established for tax assessment purposes. Then the *difference between that base value and the final improvement value will determine the tax amount abated by the City for up to five years*. The value of land on which a building sits is not eligible for tax abatement nor is increased value of a building due to inflationary factors – only the increased value of improvements to the building, itself.

Eligible improvement projects cannot add more than 100% to the square footage of a building. For example, a 50,000 square foot building could qualify for tax abatement on the assessed value of an additional 49,999 square feet, but no more.

Program eligibility is restricted to single projects. Separate applications are required for improvement projects in separate buildings or separately-timed projects in the same building. Building permits must be issued within a 60-day period from the time of acceptance into the City’s tax abatement program and must be completed within two years from the date of the initial construction permit.

How do I get started?

All real estate taxes on the building and property must be paid and current prior to the City's acceptance of an application. After acceptance, taxes must remain current to continue eligibility and avoid penalties. During the construction phase of the project, the City will assess taxes at 100% of assessed value and until the final value appraisal.

Appropriate building permits must be obtained before an application is filed. There is a \$50 application fee (payable to the City of Falls Church) for the commercial rehabilitation tax abatement program.

The city assessor must inspect the building three different times:

1. Upon receipt of the application;
2. Immediately prior to the commencement of the proposed improvements;
and
3. Upon completion of the project.

A written request must be submitted to the city assessor for final inspection (Step 3). The building owner must submit a detailed list of their actual improvement costs to the city assessor for review.

How long may I get tax relief and will the abatement change during that time?

Tax abatement will be for a period of five years and will start on January 1 of the year following the completion of the project. For example, if an application is received January 15, then the applicant would wait until the following calendar year to receive tax abatement.

The amount of the tax abatement will be fixed and will not *increase* over time. However, the tax abatement amount may be *reduced* if the property improvement value declines during the tax abatement period.

If a qualified property transfers ownership during the eligibility period for a project, the tax abatement will transfer with the property.

Would a new building qualify under the program?

The program does not apply to properties built on vacant land.

Can you provide an example of exactly how the tax abatement is calculated for an eligible property?

If a property has an overall assessed value of \$1 million, comprised of a land value of \$600,000 and a building value of \$400,000, the building value is the pertinent number. The building value must increase at least 50%, or \$200,000 in this example, for improvements completed with a two-year period following application to the program.

Taxes abated on \$200,000 in assessed building improvement value are calculated as follows using the 2010 City real estate tax rate: $\$200,000 \times 0.0124 = \$2,480$. The tax abatement would extend for five years. The abatement amount would be a *maximum* value of \$2,480 per year in this example, using \$200,000 in increased value times the City's current real property tax rate, which can change from year to year.

How do I get additional information?

The City's Real Estate Assessment Office administers the Commercial Property Rehabilitation Tax Program. Contact the assessor's staff at 703-248-5022 or realestate@fallschurchva.gov. The office is located at 300 Park Avenue, Suite 104 West, Falls Church, VA, 22046.

The Commercial Property Tax Abatement Program application is attached.

Application for Commercial Property Rehabilitation
Tax Abatement Program

-- CITY OF FALLS CHURCH --

Please Note: This application must be completed and submitted to the City Assessor with a fee of \$50.00 payable to the *City of Falls Church*. No property shall be eligible for program benefits until building permits have been obtained and verified by the city's Building Official. In addition, the City Assessor shall conduct an inspection and valuation of the structure to establish a base value upon receipt of the application and before rehabilitation work is started.

Property Owner(s) – PLEASE PRINT ALL INFORMATION

Property Address

Date Structure was Built (Must Be at Least 20 Years Old)

Current Use(s) of the Structure

Description of Property Improvements Proposed (ATTACH ADDITIONAL SHEET IF NEEDED)

Contact Name of Applicant (IF OTHER THAN OWNER)

Applicant's Mailing Address

Applicant's Phone

Applicant's Email Address

I certify that the information contained in this application is, to the best of my knowledge, both correct and true.

Applicant's Signature

Date

*******DO NOT WRITE BELOW THIS LINE (OFFICE USE ONLY)*******

Application # _____ RPC # _____ Building Permit # _____

Building Permit Date _____ Base Value \$ _____

Completed Value \$ _____ Approved Amount of Tax Exemption \$ _____

\$50.00 Application Fee Paid _____ Date Received _____